



Public School Employees Post-Retirement Employment Restrictions and Earnings Limitations

Employment Restrictions

Retirees may not work for a Michigan Public School Employees Retirement System reporting unit or for the state of Michigan in the first calendar month following the retirement effective date.

Earnings Limitations - Regular and Early Pension Recipients

Retirees may return to work for a Michigan public school reporting unit and earn, without pension reduction, the **greater** of either of the following:

- 1/3 of the final average compensation (FAC). To determine allowable earnings, the FAC is increased by 5% (compounded) for each calendar year retired. **Allowable earnings are prorated for the first calendar year of retirement.**

For example, a \$36,000 FAC would allow earnings of \$12,000 in the first year of retirement, \$12,600 in the second year of retirement, \$13,230 in the third year of retirement, etc.

OR

- The maximum 2005 earnings permitted by the Federal Social Security Act, as amended. For the calendar year 2005, the maximum earnings are as follows:
 - (1) under full retirement age – \$12,000,
 - (2) there is no limit on earnings beginning the month an individual attains full retirement age.

Full retirement age (FRA) is 65 for retirees born in 1937 or before. For retirees born in 1938 or later, use the Social Security website (www.ssa.gov) to calculate your FRA. For each \$1.00 earned over the maximum, the pension will be reduced by a like amount.

There are no limitations or restrictions on earnings for work from:

- The universities within Michigan that are not reporting units; i.e., Grand Valley State, Michigan State, Michigan, Oakland, Saginaw Valley State, and Wayne State
- Employment (of a former teacher or administrator) in a teaching or research capacity by a university that is considered a reporting unit; i.e., Central Michigan, Eastern Michigan, Ferris State, Lake Superior State, Michigan Technological, Northern Michigan, and Western Michigan
- Employment as a teacher, principal, administrator, or stationary engineer by a reporting unit that has an approved emergency situation*
- Employment as a teacher by a reporting unit in an approved critical shortage discipline*
- Employment as a principal, assistant principal, superintendent or school guidance counselor by a reporting unit*
- The state of Michigan
- **Any other work** within Michigan
- **Any work** outside Michigan

Survivor Pension Recipients

Beneficiaries in receipt of a survivor pension are NOT subject to employment restrictions or earnings limitations unless they are also in receipt of a pension granted on the basis of their own employment.

*As a result of 2004 PA 5, this provision is now effective until July 1, 2006, or six years, whichever comes first. Retiree must have retired on or before July 1, 2003.

Duty and Nonduty Disability Pension Recipients Earnings Limitations

IMPORTANT: Before accepting employment, a disability retiree MUST write to the Office of Retirement Services (ORS) describing the proposed employment, the expected hours employed per week, and the expected earnings.

A disability retiree who becomes employed with the Retirement System's approval may earn, without penalty, the **difference** between his/her final average compensation (FAC) and his/her pension. (This amount is prorated for the first calendar year of retirement.) To determine the disability earnings limitation, the retiree's FAC is increased by 2% (compounded) for each calendar year retired.

PENALTY: For each \$1.00 earned over the allowed maximum, the pension will be reduced by a like amount.

The disability earnings limitation ceases on January 1st of the year in which the person would have become eligible for a regular age and service pension had full-time employment continued. This means January 1st of the year in which the disability retiree attains age 60; or, earlier if the disability retiree is:

- A Member Investment Plan (MIP) retiree who would have acquired 30 years of service before age 60; or
- A Basic Plan retiree who would have acquired 30 years of service **no earlier than age 55 but before age 60.**

When the disability earnings limitation ceases, regular pension recipient earnings limitations apply as described on the reverse of this form.

General Information

Regular and early retirement pension recipients must notify their employer of their retiree status upon reemployment with a Michigan public school reporting unit. Neither employer contributions nor Member Investment Plan (MIP) contributions can be submitted to the Retirement System for post-retirement employment. Social security contributions, however, are required.

If a regular or early pension recipient returns to full-time employment for a minimum number of years, his or her pension can be recomputed. A retiree who was a MIP member must return for three (3) credited years of service before qualifying for pension recomputation. A Basic Plan member must return for five (5) credited years before qualifying for pension recomputation.

The retiree must first pay an amount equal to his or her new FAC, multiplied by a percent determined by the retirement law, multiplied by the credit earned during the return to employment. The retiree must also repay any pension received during the employment period. The recomputation of the pension will then reflect the additional earnings and service credit.

Effective June 25, 1999, a retiree is not eligible to use any service or compensation attributable to the following employment for a recomputation of his or her retirement allowance: a former teacher or administrator employed in a teaching or research capacity by a university that is considered a reporting unit; employment as a teacher, principal, administrator, or stationary engineer by a reporting unit that has an approved emergency situation; employment as a teacher by a reporting unit in an approved critical shortage discipline, or as a principal, assistant principal, or superintendent. The first exception is permanent; the second and third exceptions will expire on July 1, 2006.

If a pension is suspended because of excess earnings or statutory provisions while the retiree is enrolled in the Retirement System's health and/or dental and vision insurance plans, coverage may continue if the retiree pays the total premium.

Questions regarding post-retirement employment should be submitted by letter to the Office of Retirement Services (ORS) with a description of the proposed employment and expected earnings.